FTR Workshop in Madrid – 21.9.2023

Location: Seminar Room at IIT, Santa Cruz de Marcenado 26, 28015 Madrid

For the success of the energy transition, sufficient attractiveness in capital markets and availability of financing for both transmission and distribution grid expansion are crucial. However, in a nodal pricing regime, network operator revenues potentially fluctuating with congestion conditions add complexity to the revenue streams and thus to financing. In addition, the financial effects on customers can be substantial if structural congestion management was switched to local pricing. A set of questions for the workshop that are emerging from initial discussions are:

- How to ensure stable revenue streams for TSOs?
- How can FTR allocations address needs for hedging by market participants, avoid hardship for households / industry?
- How to interface with RE remuneration mechanisms? (granting rights/obligations to consumers in CfD Pool, PPAs …?)
- What design allows flexibility to flourish (i) avoid FTRs discourage flexibility investment/use (ii) allow third party investment in flexibility to meet local & system need?
- How could trading hubs proposed in EU market reform support transition to nodal?

Workshop 1: The role of hedging in a European nodal pricing regime

9:00 Arrival, Coffee and Snacks

9:30-9:45 Welcome
Karsten Neuhoff

9:45-11:00 Session 1: What provides for effective hedging in the long-term under a nodal pricing regime?
Session Chair: Karsten Neuhoff

- Presentation of the US experience with focus on hedging, Carlos Batlle [15 Minutes, tbc]
- Possible discussion points:
  - What will be the role of trading hubs?
  - What do generation companies need for nodal pricing to work?
  - What do TSOs/ISOs need / can offer to make nodal pricing work?
  - What do customers need for nodal pricing to work? How does hedging play a role?

11.00 - 11.15 Coffee break

11.15-12:30 Session 2: How can generators and consumers hedge intermittent generation?
Session Chair: Anthony Papavasiliou

- Initial statement form Mohammad Hesamzadeh [5 Minutes]
- Initial statement from Jörn Richstein [5 Minutes]
- Possible discussion points:
  - Which options exist?
    - Option1: Tailored FTR product design -> How can they be structured?
    - Option 2: CFD Pool granted (implicit) transmission rights (to link generation to load)
    - Further ideas from audience

12:30-13:30 Session 3: How to combine local price incentives and hedging for households and industry?
Session Chair: Lisa Ryan

- Initial statement from Cristian Lanfranconi [5 Minutes]

- Initial statement from Luis Olmos [5 Minutes]
- Initial statement from Christian Nabe [5 Minutes]
- Possible discussion points:
    - How do nodal pricing and retail competition interface?
    - Who owns the FTR rights, who has the critical mass to hedge at local level)
    - What discriminatory concerns does nodal pricing raise?
    - Treatment of embedded generation, tariffs etc.?
    - How to design FTRs to reduce market powre issues?

13:30-14:45 Lunch Break

14:45-15:45 Session 4: What is needed to enable the introduction?
Session Chair: Marc O'Malley

- Initial statement from Juan Perez [5 Minutes]
- Possible discussion points:
    - Distributional aspects
    - Contract continuity (trading hubs)

15:45-16:00 Coffee Break

16:00-17:00 Wrap Up and Next Steps

- Summary workshop results
- Short outlook how the topic of the workshop fits into the overall European reform process
- Next workshop announcement